

Message Text

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ACTION EA-10

INFO OCT-01 EUR-08 NEA-06 ISO-00 SSO-00 NSCE-00 SS-15

NSC-05 IO-04 L-01 ABF-01 A-01 FS-01 OMB-01 TRSE-00

CIAE-00 INR-05 NSAE-00 RSC-01 INRE-00 /060 W

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O R 041035Z NOV 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 022

INFO AMEMBASSY BUDAPEST

AMEMBASSY JAKARTA

AMEMBASSY TEHRAN

AMEMBASSY WARSAW

C O N F I D E N T I A L SECTION 1 OF 2 SAIGON 13873

E.O. 11652: GDS

TAGS: MARR, VS, AFIN

SUBJECT: ICCS FINANCES

REF: STATE 241994 (NOTAL)

1. PA&E MESSAGE TO ACTING SECRETARY IS CORRECT IN STATING ASSURANCES GIVEN TO PA&E BY ICCS (I.E., THAT ALL INVOICES WOULD BE PAID IN FIVE DAYS FROM RECEIPT) HAVE NOT BEEN MET. ON BASIS SUDDEN AND UNEXPECTED INSTRUCTION FROM PA&E'S LOS ANGELES HEADQUARTERS, TO WHICH SURPRISED LOCAL PA&E MANAGEMENT OBJECTED, PA&E IS DELIVERING LETTER TO ICCS AT 1300 TODAY ANNOUNCING TERMINATION OF SERVICES EFFECTIVE NOVEMBER 18.

2. BACKGROUND CAUSE OF PARALYSIS OF ICCS SECRETARIAT HAS BEEN INSISTENCE OF HUNGARIAN DELEGATION, SUPPORTED BY POLES, ON FORMALIZING A VETO POWER FOR EACH DELEGATION OVER ACTS OF DIRECTOR GENERAL, IN PARTICULAR INSISTING ON A VETO POWER OVER ALL INDIVIDUAL DISBURSEMENTS OVER \$10,000. ULTIMATE INTENTION OF COMMUNIST DELEGATIONS IS TO ESTABLISH VETO POWER OVER ALL ADMINISTRATIVE ACTIONS OF ICCS, MANY OF WHICH HAVE POLITICAL EFFECTS. IRANIANS AND INDONESIANS, HAPQ RESISTED HUNGARIAN PROPOSAL
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ON GROUNDS POWERS OF DIRGEN MUST BE COMMENSURATE WITH

HIS RESPONSIBILITIES. UNDER CIRCUMSTANCES, IRAN RELUCTANTLY PROVIDED KHAZENI AS ACTING DIRECTOR GENERAL FOR THE PERIOD SEPTEMBER 1 TO OCTOBER 31 ONLY, ON CONDITION FOUR-DELEGATION AD HOC COMMITTEE REACH AGREEMENT ON POWERS OF DIRGEN AND ORGANIZATION OF SECRETARIAT BY OCTOBER 15. SITUATION WAS FURTHER COMPLICATED BY MEDICAL EVACUATION OF KHAZENI OCTOBER 12. HIS ASSISTANT, SOHEILI, ATTEMPTED TO RUN DIRGEN OFFICE BUT HUNGARIANS OBJECTED THEY HAD NOT AGREED TO THIS, AND MOVED TO DRASTICALLY LIMIT HIS SIGNING AUTHORITY. COMMISSION EVENTUALLY AGREED TO DESIGNATION OF INDONESIAN COLONEL TO BE ACTING DIRECTOR GENERAL THROUGH OCTOBER 31 ONLY.

3. AS OF OCTOBER 31, IN VIEW OF CONTINUING DISAGREEMENT ON DIRGEN AND SECRETARIAT, ICCS AMBASSADORS IN CONSULTATION AGREED INDONESIANS WOULD AGAIN DESIGNATE AN ACTING DIRECTOR GENERAL. INDODEL DECIDED TO DESIGNATE AN INDODEL CIVILIAN BUT AS OF MORNING NOVEMBER 4 HE WAS STILL NOT INSTALLED IN OFFICE. THUS, SINCE END OF AUGUST COMMISSION WILL HAVE IN EFFECT HAD FIVE SUCCESSIVE ACTING DIRECTORS GENERAL. UNDER THE CIRCUMSTANCES, AFTER KHAZENI'S DEPARTURE THERE WAS NO DECISIVE HAND AT THE HELM.

4. GENESIS OF DISPUTE BETWEEN PA&E AND OFFICIALS IN ICCS SECRETARIAT INVOLVES FOLLOWING FACTS: PA&E INFORMED ACTING DIRGEN AT END OF AUGUST, WHEN ITS CONTRACT EXPIRED AND WAS NOT FORMALLY RENEWED, THAT IT WOULD HAVE TO INCREASE ITS GENERAL ADMINISTRATION COSTS FROM 7 TO 14 PERCENT (SHOULD BE NOTED THIS IS CATEGORIZED AS COST, NOT PROFIT). SECRETARIAT DID NOT OBJECT AND IN FACT PAID SOME INVOICES AT INCREASED GENERAL ADMINISTRATION RATE. MEANWHILE, AFTER ICCS RECEIVED CONTRIBUTIONS AT END OF SEPTEMBER, KHAZENI ORALLY ASSURED PA&E ITS INVOICES WOULD BE PAID IN FIVE DAYS AFTER SUBMISSION WHENEVER ICCS HAD ADEQUATE FUNDS.

5. ACTING IN RELIANCE ON KHAZENI ASSURANCES DESPITE HIS DEPARTURE, PA&E SUBMITTED INVOICE FOR \$126,836 ON OCTOBER 21. BILL WAS NOT PAID BUT MEMBERS OF SECRETARIAT CONTINUED TO ASSURE PA&E IT WOULD BE PAID IN NEXT DAYS OR SO. PA&E REPORTED THIS STALLING TO ITS LOS ANGELES HEADQUARTERS. ACCORDING TO SOHEILI, SECRETARIAT'S DELAY IN PAYING WAS CAUSED OR CONTRIBUTED TO BY SUDDEN REALIZATION ON PART OF ITS OPERATIONAL AUDIT OFFICE (HEADED BY HUNGARIAN) CONFIDENTIAL

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AND FINANCE DIRECTORATE (HEADED BY POLE) THAT GENERAL ADMINISTRATION COSTS HAD DOUBLED, TO WHICH THEY OBJECTED. SOHEILI AND PA&E BELIEVE SECRETARIAT SHOULD HAVE PAID INVOICE BY OCTOBER 26 AND THEN RAISED ISSUE OF INCREASED COST WITH PA&E, SEEKING TO SETTLE MATTER BEFORE NEXT INVOICE. EVEN IF THERE WAS SOME OTHER FACTOR PARTLY RESPONSIBLE FOR THE DELAY, THE MAIN PROBLEM IS THE ABSENCE OF A DIRECTOR GENERAL WITH AUTHORITY TO BRING THE VARIOUS ELEMENTS OF THE SECRETARIAT INTO LINE IN PROCESSING BILLS.

6. ACCORDINGLY, ON BASIS INSTRUCTIONS RECEIVED NOVEMBER 2, PA&E IS DELIVERING FOLLOWING LETTER TO ACTING DIRECTOR GENERAL AT 1300: QTE WE REGRET TO INFORM YOU RECENT DEVELOPMENTS GIVE US NO CHOICE BUT TO TERMINATE SERVICES TO ICCS, EFFECTIVE 18 NOVEMBER 1974. THIS NOTICE IS FURNISHED PURSUANT TO PARAGRAPH 22.B, TERMINATION, OF THE CONTRACT SUBMITTED 19 AUGUST 1974. WE HAD BEEN REPEATEDLY ASURED THAT PAYMENT OF OUR INVOICES FOR SERVICE RENDERED WOULD BE MADE PROMPTLY. RECENT PROMISES TO PAY INVOICES WITHIN FIVE DAYS HAVE NOT BEEN HONORED. OUR INVOICE NO. 39 IN THE AMOUNT OF \$126,836.91 WAS SUBMITTED ON 21 OCTOBER, AND DESPITE ASSURANCES THIS INVOICE WOULD BE PAID BY 26 OCTOBER AT THE LATEST, PAYMENT HAS NOT BEEN RECEIVED AS OF 3 NOVEMBER. THE NECESSITY FOR TERMINATION OF OUR SERVICES IS SINCERELY REGRETTED. IN ORDER THAT THESE SERVICES FOR THE ICCS CAN BE CONTINUED WITHOUT DISRUPTION, IT IS SUGGESTED ICCS EMPLOY PERSONNEL, NOW ENGAGED BY PA&E, WHO ARE TRAINED AND EXPERIENCED IN THE SUPPORT RESPONSIBILITIES. RECORDS OF THESE PERSONNEL AND OTHER DATA THAT MIGHT BE REQUIRED WILL BE MADE AVAILABLE IMMEDIATELY. WE APPRECIATE THE OPPORTUNITY TO HAVE SERVED THE ICCS AND SHALL COOPERATE DURING THE PERIOD OF TRANSITION TO THE BEST OF OUR ABILITIES. SINCERELY YOURS, LANDIS W. HICKS GENERAL MANAGER

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END QUOTE

7. MORNING NOVEMBER 4 EMBOFF WENT TO ICCS AND ALERTED IRANIAN AMBASSADOR SADRY, SOHEILI, AND INDODEL DCM SAMIL.

8. MOST IMMEDIATE WAY OF SOLVING TODAY'S ICCS CRISIS WOULD BE TO PERSUADE LOS ANGELES HEADQUARTERS OF PA&E TO AUTHORIZE WITHDRAWAL OF LETTER, WHILE WE ATTEMPT TO PERSUADE ICCS TO PAY INVOICE FORTHWITH. HOWEVER, SHOULD BE NOTED NEITHER PA&E LOCAL MANAGEMENT NOR WE IN EMBASSY UNDERSTAND MOTIVATION FOR SUDDEN MOVE BY LOS ANGELES HEADQUARTERS. IT MAY HAVE BEEN IMPATIENCE, OR PRESSURE AGAIN FORM THE BANK OF AMERICA. PA&E LOCAL MANAGER ALSO SURMISES PA&E WASHINGTON REPRESENTATIVES MAY HAVE CONCLUDED USG WILL NOT OBTAIN AUTHORIZATION FROM CONGRESS TO MAKE FURTHER CONTRIBUTION, AND THAT THEREFORE PA&E SHOULD TERMINATE WHILE THE ICCS STILL HAS ENOUGH FUNDS TO PAY PA&E OFF.

9. AS TO A MORE PERMANENT SOLUTION THE MISSION HAS ON A NUMBER OF PREVIOUS OCCASIONS SUGGESTED AN ENTIRELY DIFFERENT APPROACH TO FINANCING THE US CONTRACTOR EXPENSES OF THE ICCS. THAT APPROACH WOULD AUTHOMATICALLY DEPRIVE THE HUNGARIAN AND POLISH CONFIDENTIAL

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DELEGATIONS OF AN OPPORTUNITY TO OBSTRUCT THE COMMISSION'S FUNCTIONING THROUGH INTERFERENCE WITH THE DIRECTOR GENERAL'S FINANCIAL OPERATIONS.
MARTIN

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